REMOTE CONTROL RETIREMENT RICHES

FEBRUARY 2020

UMBRELLA POLICIES FOR INVESTORS

CORONAVIRUS

POSSIBLE CONNECTIONS TO SINGLE FAMILY HOME INVESTING

CENTRAL FLORIDA IS ON THE MOVE!

CORONA VIRUS

POSSIBLE CONNECTIONS TO SINGLE FAMILY HOME INVESTING

As we read, daily, about the spread of the Coronavirus (now also called Covid-19, but I will use Corona throughout), we are all concerned about the spread, mortality rates, means to protect ourselves and so on.

The stock market has taken a massive plunge over the past few days, on Coronavirus fears and how they may affect the economy.

Certain industries are already affected, the Olympics may be cancelled, and vacation spots are suffering due to flight and vacation cancellations.

As the stock market goes down, people who own stock feel less wealthy. However, it is reported in many sources that heavy stock concentrations in one's portfolio occur in the upper quarter of income in the US.

Due to the virus fears, people become less mobile, fly less and stay put more.

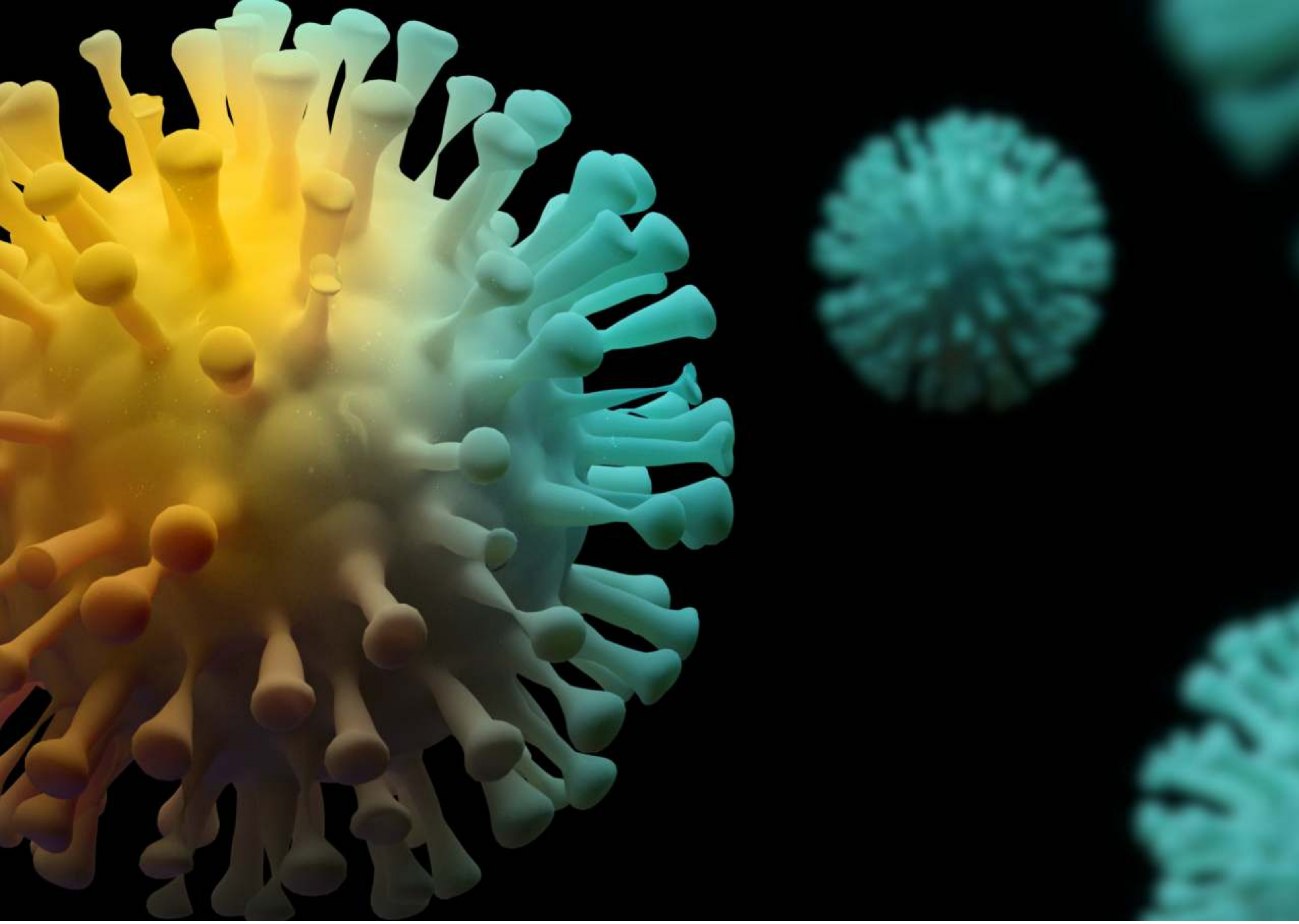
The lure of the safety of one's home gets more into focus.

In the affordable markets in which we invest, the type of homes we buy as investments are the type of homes purchased by homeowners who are squarely in the middle of the pack in terms of income, and even below. It is quite possible that a good segment of this population may not feel less wealthy. Their desire for a home will likely not diminish, and that means the demand for the type of homes we invest in is likely to stay strong.

The Fed is Already hinting that they are considering lowering interest rates to help the economy in the aftermath of the Coronavirus economic effects. That is at a time when interest rates are already some of the lowest in history. If rates go further down, the homes will become yet more affordable, with a potential for even greater demand, and even price appreciation. It is also possible that demand may be increased as some people move out of stocks and seek an alternative investment.

The organic need for families to have a place to live is not likely to diminish in the face of the Coronavirus. If people buy these affordable homes, especially with lowered rates, it bodes well for us investors. If people rent them, it also bodes well for us, as our vacancy rates go down.

There may well be adverse effects such as a dearth of workers due to tighter border controls and less travel, a dearth of building materials which usually arrive freely from all over, including the far east, and other shortages. Ironically, even these



adverse effects are likely to increase prices, as supply may struggle to keep up with the usual demand.

This is a good lesson for us about the risk of investing in "vacation rentals". Many younger investors may not be aware, or have forgotten, the devastating effect of the last recession on vacation rentals. I constantly talk to investor wondering why they shouldn't buy vacation rentals. Just as in a recession, vacations are a luxury, and this luxury is one of the first to get dropped when circumstances are difficult. Even Airbnb's may experience pain during a recession, as well as, possibly, in the face of the virus scare.

Investing in single family homes in good areas in large metropolitan areas in the Sun Belt states for affordable prices, looks even more solid in the face of difficult circumstances, relative to vacation rentals. That is one of the reasons this is what we focus on.

One of the reasons I have been so steadfast about investing in single family homes is their vast future benefits, in addition to their great relative safety.

Morgan Stanley just released, on February 28th, a 3-scenario report as to how the virus spread may affect the economy. Currently they are estimating what they call "Scenario 2", in which the recovery we now experience is stunted in a relatively minor way before means are attained to stop the spread of the virus, as the most likely senario. The 3rd and worse scenario may lead to a recession (albeit after all the checks and balances congress installed after the major 2008 recession, I believe a future recession to be quite a bit milder than the last one, especially since one of the reasons for the severity of the 2008 recession was the massive amount of sub-prime loans, a phenomenon that has been greatly reduced by congress since, and is not nearly as prominent currently.

We have seen prices of homes in many markets drop sharply during the recession, but we also know that simply holding on to the homes, while the 30-year fixed rate loan continues to be eroded by inflation, gets us out of that cycle and into the correction. I myself have already experienced it several times in my investing career.

We have discussed this and a lot more during our great 1-Day Expo which took place near the San Francisco Airport on Saturday, March 7th.

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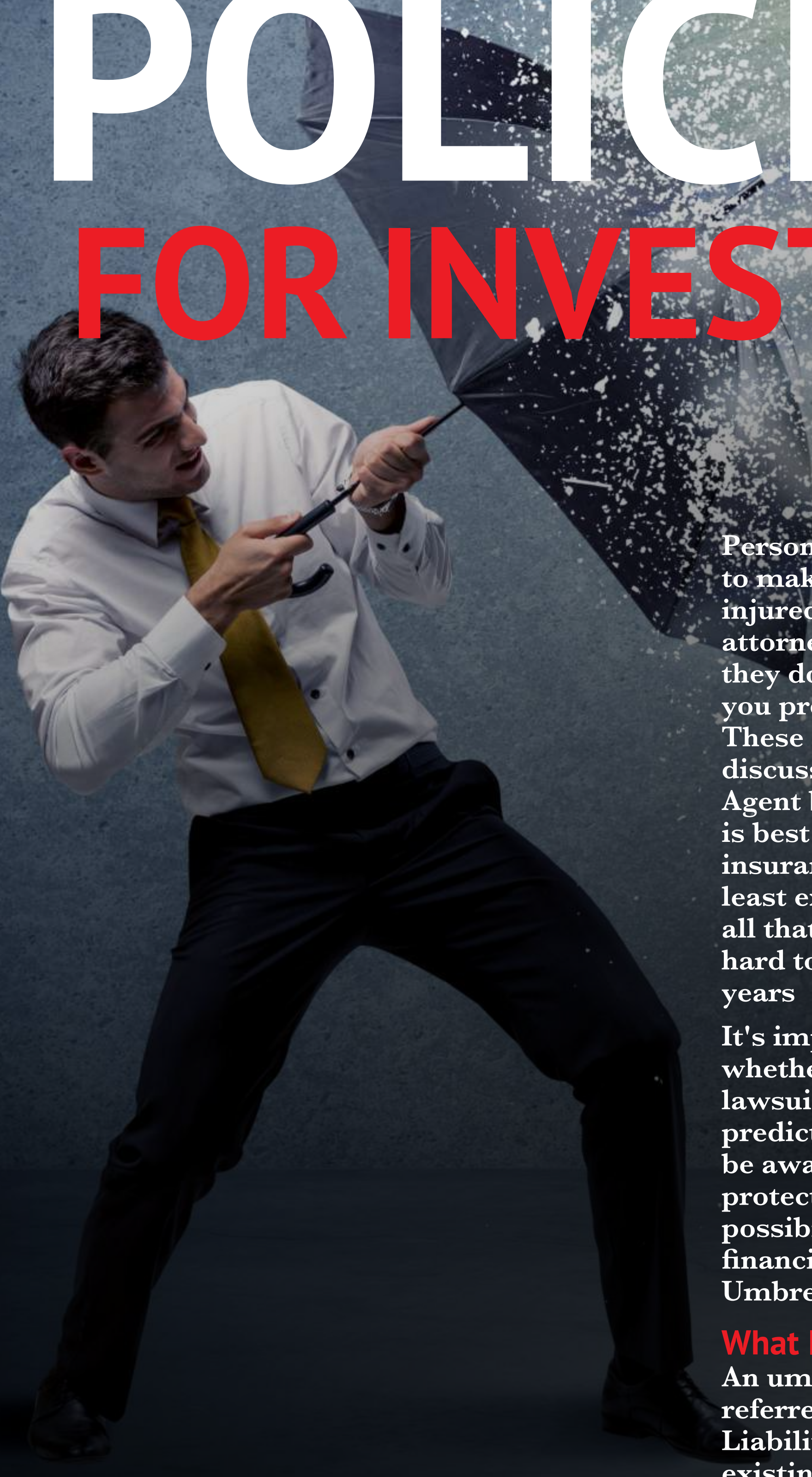

Personal Injury Attorneys exist to make money on behalf of injured clients. What will those attorneys find out about you if they do an asset search? Have you protected those assets? These are questions you should discuss with your Insurance Agent because asset protection is best accomplished utilizing insurance. It is the first and least expensive way to protect all that you have worked so hard to accumulate over the years

It's impossible to predict whether you might lose a lawsuit, nor is it possible to predict the amount that might be awarded. But you can protect yourself against the possibility of devastating financial loss by purchasing an Umbrella.

What Is an Umbrella Policy?

An umbrella policy (sometimes referred to as an Excess Liability Policy) protects your existing personal assets and

If you were to lose a lawsuit, you would likely have to pay the winning party not only the awarded amount but also legal fees.

Joyce Feldman
Managing Agent
License #0M91474
Twin Valley Insurance Services, LLC
11460 Pleasant Valley Road
Penn Valley, CA 95946
(530) 446-2100

future personal assets (like wages). If you were to lose a lawsuit, you would likely have to pay the winning party not only the awarded amount but also legal fees. And you don't have to be wealthy - even if you don't have any assets, your wages can be garnished for many years in the future.

When you purchase an umbrella policy, it picks up where your Auto and Homeowners Insurance policies leave off. The average cost of a 1 million umbrella is between $300 to $500 per year depending on your specific situation, making it relatively inexpensive coverage.

What It Covers

An umbrella policy provides excess coverage above what is provided by your homeowners and auto insurance policies. As an example, let's say your auto insurance pays $300,000 of medical expenses per accident and your umbrella policy is for $1 million. If you are sued for $900,000 due to a car accident, your auto insurance would pay $300,000 of the damages and your umbrella would pay the remaining $600,000. Umbrella policies can provide anywhere from $1 million to $10 million of additional coverage. With umbrella policies, legal expenses are covered on top of or within the policy limits depending on the carrier you choose. Therefore, you do not need to hire a lawyer to represent you.

An umbrella policy protects you if you have dependent children involved in an accident. It will also protect you against accidents that occur on rental properties and personal injury lawsuits arising from slander, libel, wrongful eviction, and more.

Underlying Insurance Requirements

Because an umbrella policy is designed to be above and beyond your current coverage, it will have underlying policy requirements. This means that you'll have to have a certain liability limits on your auto and home insurance as a condition of being approved for an umbrella policy. Typically, the auto needs Bodily Injury/ Property Damage of 250/500/100 and your home will need liability of $300,000 as a minimum.

Things That Increase Your Risk of Being Sued

Owning multiple rental properties, a swimming pool, dogs, hiring of workers, youthful drivers and daily commuting all increase your risk of liability.

The Bottom Line

Just because you aren't at high risk of being sued doesn't mean you are at no risk. Even if you are very careful, umbrella insurance may be the safest course of action to protect your financial future.

CENTRAL FLORIDA IS ON THE MOVE!

By Jean Gillen

There are 10,000 moves to Central Florida weekly, over 1000 a day. The average age is 37. Disney and 19 other parks plus 400+ new companies are the employers. Moving from 'Rust" states to the Sunshine State, Florida.

Half of Florida's fortune 500 companies are headquartered in Central Florida. The "Space Coast" and the I-4 corridors are exploding. There are five International airports plus municipal airports, Amazon, Walmart distribution centers and new manufacturing centers keep the economic environment healthy.

Central Florida had 76,000,000 visitors last years- top tourist destination in the world.

Convention centers, tourism, space and cruise line business, manufacturing and sports centers abound. Lake Nona has the largest tennis facilities in the world. There is an enormous equestrian center in Ocala. The largest 55-year and older communities Sun City (Tampa), Villages (Wildwood) and Margaritaville (Daytona) are just few.

The average home cost $250,000 making this one of the attractive options for cash flow investments in the US.

Central Florida is also the #1 choice of Baby-boomers and Millennials to live and work. No State income tax, "cheap and Cheerful "and affordable.

Tampa-Orlando with over 8 million people is becoming the largest Metro area in Southeast.

The "Space Coast", the only place in the US that can send a human into space, is exploding. UCF is the largest university in the US and produces more engineers for the space sector than any other school. Some say this is the new Silicon Valley.

As of 2019, 45 firms have signed deals to move to the Space Coast bringing thousands of high-paying jobs. Over 350 others have moved in. In exchange, the state has offered subsidies to build up infrastructure making Florida "the place for space".

Central Florida has appreciation and cashflow, a great combo. Forbes has estimated as much as 35% by 2021.

Austin, Nashville: Best Cities to Find Work

DOES IT MEAN WE SHOULD INVEST THERE?

In an article published in the Wall Street Journal on 2.25/202, by Soo Oh, we learn that a Wall Street Journal ranking of cities, based on data collected by Moody's Analytics, put Austin and Nashville at the top for cities where it's best to find work. Denver is in third place, followed by Seattle and San Francisco.

As investors, we need to pay attention to such rankings and know how to interpret them as to their relevance to us in terms of where we might want to actually invest.

We have invested quite a bit in Austin, as well as in Nashville in the past. We have also invested in Denver. Seattle was always too expensive (meaning the prices were too high relative to the rents), and San Francisco certainly did not and does not make sense to buy investment homes in, as the ratios are much worse than in Seattle.

We need to be careful with Austin. It is possible to buy a new home in Austin for about $260,000, and even rent it for about $1800 per month or so (even $1,900 according to some optimistic sources). However, we need to remember that the property taxes in Austin are enormous (as they also are in Dallas, Houston and San Antonio). For the house described here, the property taxes could run approximately $550/mo. That will decimate any meaningful useful ratio between prices and rents. That is what our savvy investors are now SELLING in Austin, and doing a 1031 exchange into markets where the numbers actually work. Some are simply staying put in Austin and not selling, but they are certainly not buying at this time.

Nashville also has an unfavorable ratio between rents and prices. Denver is worse than Nashville, Seattle is worse than Denver , and San Francisco is worse than Seattle.

The lesson here is that just because a market ranks higher for jobs does not automatically make it a wise investment destination.

The bottom three markets for jobs are Rochester, NY, Cleveland, OH, and Buffalo, NY. These are not markets in the Sun Belt so naturally we are not buying there. Interestingly, I encounter foreign investors who are buying in Cleveland, especially in areas of town which are not so good, thinking their cash flow will be good. It looks good on paper, but life doesn't happen on paper. Many of them report to me that buying bad properties in bad areas was a bad idea, but we already know that.

2020 is a year with a limited selection of large metropolitan areas in the Sunbelt states. However, these few markets are good, and they are more than enough to supply us with excellent properties to buy.

Retirement Riches Testimonials

I bought 6 properties with you in the beginning of the 200's. They have worked very well for me. Today, my loans seem insignificant compared to the value of my homes. I have a lot of equity, and excellent cash flow. I have sold my business and am now interested in buying about 15 more homes. **— Eph**

After watching your television show, I have just recently begun investing. My first house closed and rented quickly. Despite my loan, I am starting out with a good positive cash flow. My second house will close in a few weeks. Thank you for putting me and my wife on a track to a much stronger financial future. **— Greg**

We bought a house with you about 18 years ago in the Phoenix Metropolitan area. It has now appreciated greatly, and our loan is a small fraction of the value of the home. we wish we had bought more home. We now want to embark on buying several new homes for our future. **— Aaron and Monique**

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ADIEL'S *corner*

Q: Can I sell my appreciated Phoenix home and do a 1031 Exchange into another market?

A: Yes. In fact, quite a few of our investors are doing just that. They sell an appreciated home in Phoenix (or Austin or Dallas and other such markets), which also has a low-balance loan (remember the years erode the real value of the 30-year fixed-rate loan and render it quite small in real dollars about half way through the loan term). The investor, with the assistance of a 1031 exchange intermediary. Then proceeds to buy several brand-new homes with the net cash proceeds from the sale, usually getting brand-new 30-year fixed rate loans as well. Given how low interest rates are these days, it is a favorable move. The exchanger also gets new homes instead of an older home, as well as expands their portfolio and potential growth and wealth for the future.

Of course, the exchange intermediary will make sure the 1031 timelines are adhered to. We will also help the investor, and the brokers we have in the field are also quite experienced in 1031 exchange transactions. We will have a 1031 exchange intermediary speak at an upcoming 1-Day Expo.

Q: I can't qualify right now, but have cash. I will be able to qualify later. Can I buy for cash now and refinance later?

A: Yes, you can. While it is usually preferable to get you loan as a "purchase loan" when you buy. However, if you presently are unable to get a loan, but you know that later you will be able to, this is a viable strategy. Given that as of this time, the Fed has indicated with almost full certainty that rates will drop even more, you might even get lucky and get even lower rates when it comes time to refinance. You will have to pay the closing costs for the cash transaction (which in some states are very low), and later, of course, there will be an additional closing costs to pay for the refinance transaction. However, the extra costs are not high in some of the states we currently invest in.